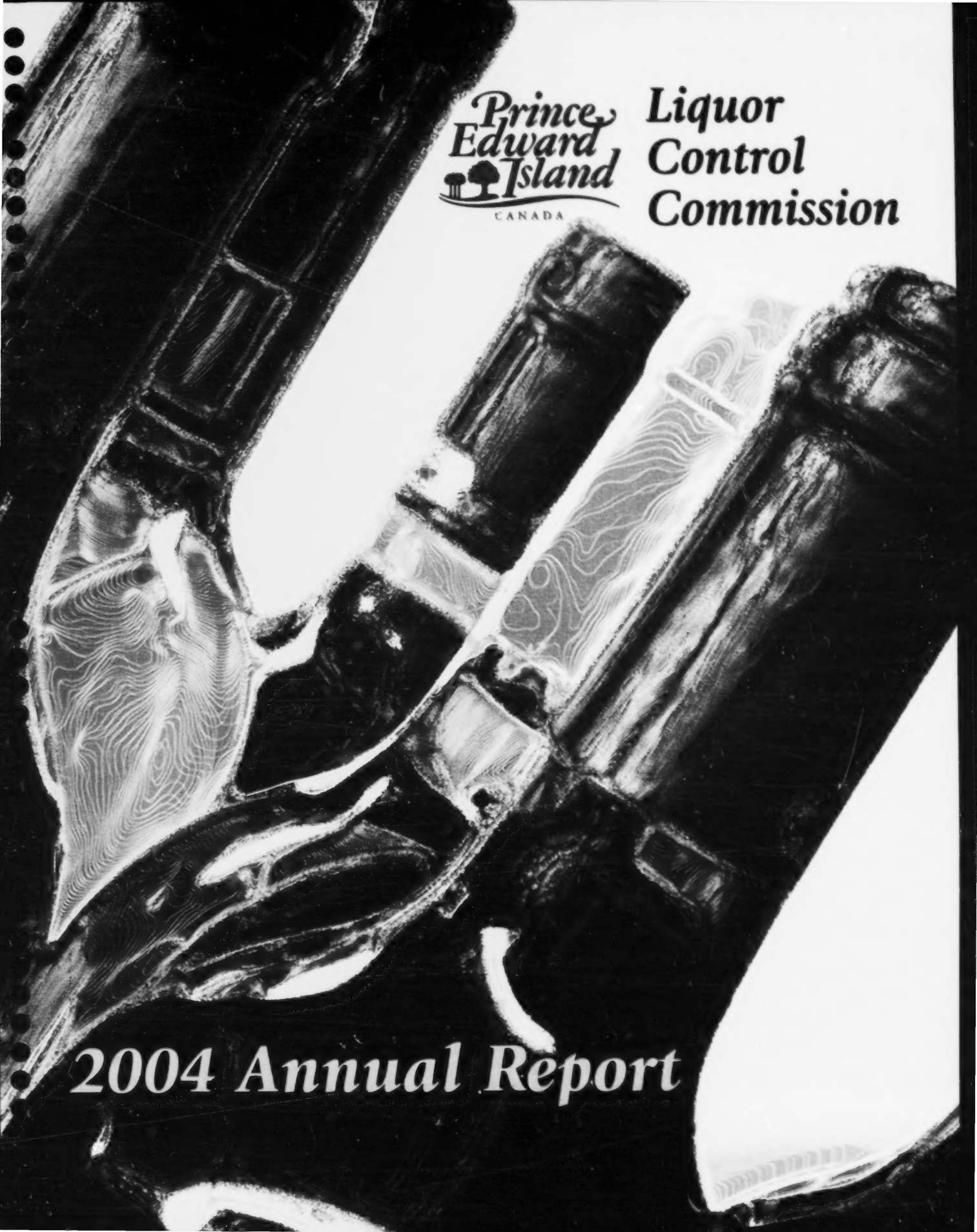
Prince Edward Island
CANADA
Liquor Control Commission
2004 Annual Report

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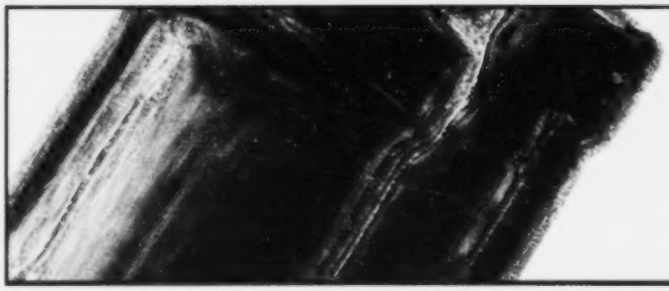

Prince Edward Island Liquor Control Commission

56th Annual Report

For the Year Ended March 31, 2004

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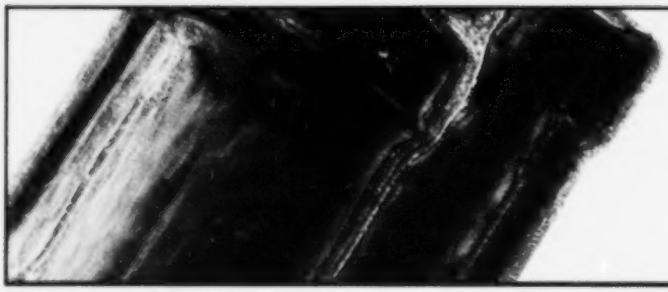


Mission Statement

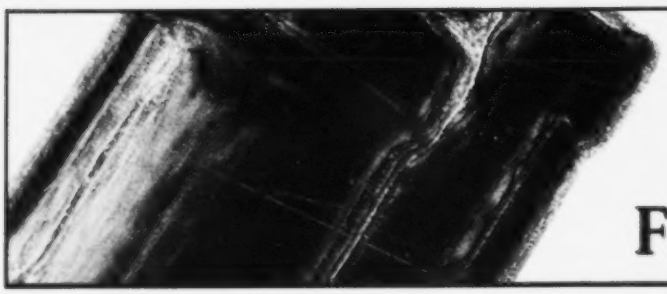
The mission of the Prince Edward Island Liquor Control Commission is to be a customer-driven organization that regulates the sale of alcohol, provides unsurpassed service and maximizes tax revenue while adhering to government policy.

Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We intend to build better relationships with customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Corporate Values

- **Moderation** – *We promote responsible use as a way of life.*
- **Quality Service** – *We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.*
- **Continuous Improvement** – *As a retailer, we welcome change. We are committed to continuous improvement to all our services.*
- **Integrity and Fairness** – *We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.*
- **Importance of People** – *We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.*
- **Focus on Results** – *We are committed to getting the job done and improving our productivity levels.*



From the Minister

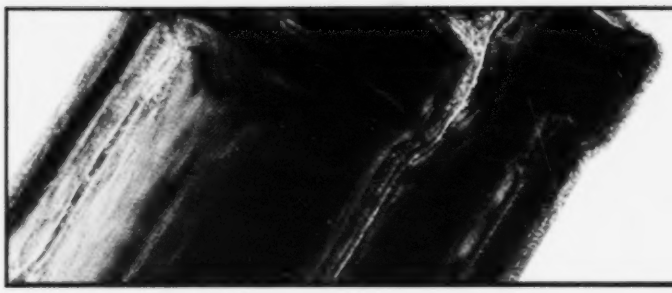
The Honourable J. Léonce Bernard
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act*
and as Minister designate,
it is my privilege to submit the
56th Annual Report of the
Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Michael F. Currie
Minister of Development and Technology
Minister Responsible for
the Liquor Control Commission



From the Chair

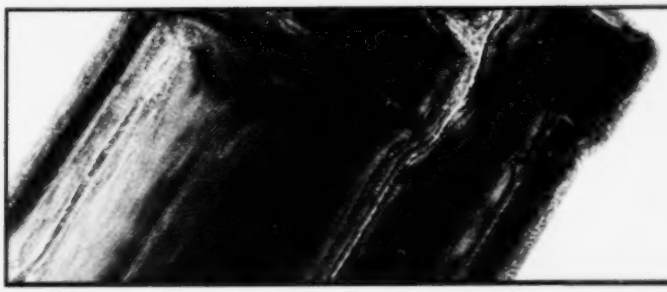
The Honourable Michael F. Currie
Minister of Development and Technology and
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 56th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2003, to March 31, 2004.

Respectfully submitted,

Gordon Coles
Chairman



From the CEO

Mr. Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

I am pleased to report that fiscal 2003-2004 was another great success for the Prince Edward Island Liquor Control Commission – another record year. We recorded the highest gross sales in our history – more than $69 million which is 5.05 per cent higher than the previous year. That we continue with record growth is a tribute to the direction set by our board and the dedication and hard work of all our employees. Thanks to their efforts, aided by effective retailing and merchandising, store upgrades and increased customer service made for a record dividend transfer – $27,850,653 to the Provincial Treasury – $1.5 million over the previous year.

I would like to highlight a number of initiatives accomplished during this fiscal year:

- On May 29, 2003, the newly renovated Queen Street Liquor Store was opened to the public. This store was converted from a conventional counter-top to a modern self-serve retail liquor store which includes a cold beer service.
- On June 11, 2003, the commission launched the Licensee On-line Ordering Program known as "The Loop." This system allows every licensee who has access to the Internet to place their purchase orders electronically with the commission. This system also provides very useful information to the licensees, i.e., new products, delisted products, pricing, inventories, and a template of their last order. Orders can be placed at any time during the day – every day of the year.
- On December 3, 2003, the commission reopened its new modern liquor store in Tignish. This store also features a cold beer service and a shopping environment second to none which should provide upscale liquor service for years to come.
- In February 2004, the commission introduced a new pricing structure for table wines and ports, reducing the retail of higher-end wines and ports by an average of 7.5 per cent. This pricing model reduced the retails of table wines and ports originally retailing for $11.25 and higher. This has enabled the commission's customers to purchase more premium quality wines giving our customers more value for their dollar. This strategy has created a favourable outcome increasing the volumes of wines purchased and also increasing the average purchase per bottle of wine sold.

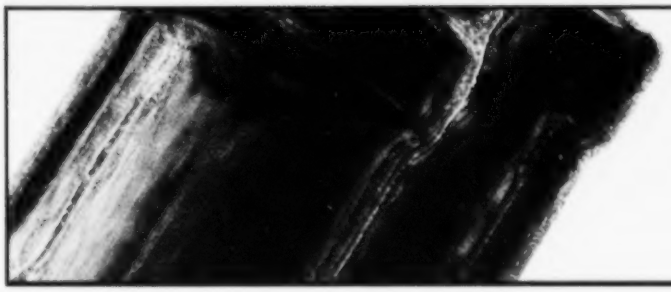
Staff training played a huge part in the commission's priorities during the 2003-2004 fiscal year. The commission offered a wide range of training opportunities for staff including product knowledge, occupational health and safety training and computer training on the implementation of the commission's new ordering system.

I would like to thank the following board members, whose terms expired in July 2003, for their dedication and commitment to the commission during their term: W.J.R. (Mac) Macdonald, Chair; Doug MacEwen, Vice-Chair; and Gerard LeClair, Member.

We would like to thank our customers, suppliers, employees, and the Board of Commissioners for their support throughout the year.

Yours truly,

Wayne A. MacDougall, Chief Executive Officer



Management's Report

Mr. Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

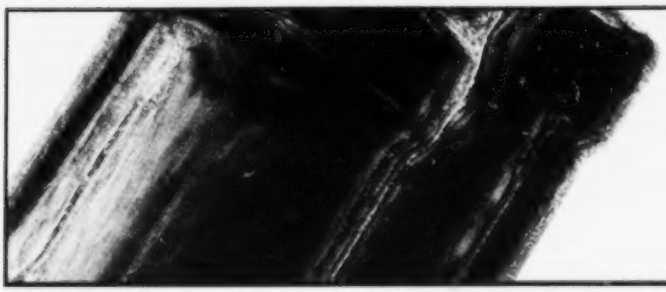
The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements for fiscal year 2003-2004 are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Wayne A. MacDougall
Chief Executive Officer

Gordon D. Greene
Director of Finance



Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what and how to ensure accomplishment and accountability.

Liquor Control Commission Board

Back row from left:

Murray Murphy Solicitor; Diane Douse, Member; Joe Richard, Member; Pam Campbell, Secretary; James Dyment, Member

Front from left:

George Mansfield, Vice Chair; Gordon Coles,Chair; Wayne MacDougall, CEO

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public;
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan;
- approving annual financial plans;
- assessing and managing business risks; and
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honorarium and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibilities for corporate governance, including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders;
- overseeing the management of the business affairs of the PEILCC;
- avoiding conflicts of interest;
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions;
- attending commission meetings and seeking professional advice where necessary;
- providing guidance on policy development; and
- reviewing appeals of denials of listing applications.

Audit Committee

The Audit Committee is composed of three commission members elected annually by the commission. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

The committee:

- monitors the commission's activities and operations;
- reviews the PEILCC policy and procedures manuals to ensure they describe accurately the procedures and activities and sets out appropriate control and management processes;
- meets with the auditor to review the commission's audit;
- identifies the principal risks facing the business and reviews systems to manage these risks; and
- oversees the production of the Annual Report.

Accountability to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at ***www.peilcc.ca***;
- annual audits of the PEILCC's financial statements by the auditor;
- public access to records under the *Freedom of Information and Protection of Privacy Act*; and
- publicly appointed commission members.

Management Team of the PEI Liquor Control Commission

Back row from left:

Ian K. Burge, Director of Purchasing and Distribution;
Fred J. MacDonald, Director of Sales and Marketing

Front row from left:

Ken M. Hicks, Director of Licensing and Security; Wayne A. MacDougall, CEO;
Gordon D. Greene, Director of Finance

Organizational Chart

Alberton	North Rustico	Summerside
Borden-Carleton	Oak Tree	Tignish
Cardigan	O'Leary	Tyne Valley
Charlottetown Mall	Queen Street	Wellington
Cornwall	Sherbrooke	Wood Islands
Kensington	Souris	
Montague	Stratford	Morell Agency Store

Organizational Chart

Alberton
Borden-Carleton
Cardigan
Charlottetown Mall
Cornwall
Kensington
Montague
North Rustico
Oak Tree
O'Leary
Queen Street
Sherbrooke
Souris
Stratford
Summerside
Tignish
Tyne Valley
Wellington
Wood Islands

Morell Agency Store

Operational Review

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *PEI Liquor Control Act* and Regulations, along with the purchase, control, and sale of all beveraged alcohol in the province.

A five-member board of commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Development and Technology who is also Minister Responsible for the *PEI Liquor Control Act*.

The mandate under the *PEI Liquor Control Act* has two primary components – regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for licensing and inspecting all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *PEI Liquor Control Act*.

On the commercial side, the commission is a major force in the provincial economy with sales in excess of $69 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year was the greatest transfer ever with more than $27.8 million forwarded to the province.

The commission presently operates 19 retail outlets which are all now self-serve in design. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

The Commission has a five-year strategic plan which guides the commission in successfully meeting its performance and accountability goals.

In our strategic plan, the commission has focussed on four key areas for measuring our performance:

1. Customer service;
2. Business effectiveness;
3. Workplace quality; and
4. Social responsibility.

Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.-P.-É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (Loi sur les alcools) et de ses règlements ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil formé de cinq commissaires est responsable des activités de la Régie. Le président se rapporte au ministre du Développement et Technologie qui est également ministre responsable de la *Loi sur les alcools*.

En vertu de la *Loi sur les alcools*, le mandat de la Régie deux volets : l'un est réglementaire, l'autre commercial.

La fonction réglementaire est assumée par le Service de délivrance des permis qui est responsable de l'octroi des permis et de l'inspection de tous les débits de boisson ainsi que des activités entourant les permis spéciaux.

Le Service de délivrance des permis se charge également d'enquêter et de faire rapport à propos des plaintes, et il décide s'il y a eu infraction ou non à la *Loi sur les alcools*.

Du côté commercial, la Régie est une force économique importante de la province; ses ventes qui dépassent les 69 millions de dollars en font l'un des plus grands commerces de détail de l'Île-du-Prince-Édouard.

La présente année, exprimée en transferts monétaires, représente le plus fort apport au Trésor de la province, soit 27,8 millions de dollars.

À l'heure actuelle, la Régie exploite 19 points de vente de services au détail, tous sont conçus pour le libre-service. De plus, la Régie exploite un entrepôt central et un centre de distribution pour les titulaires de licences, à Charlottetown. Elle a conclu un contrat avec des intérêts privés afin d'exploiter un magasin de franchise à Morell, Î.-P.-É.

La Régie a élaboré un plan quinquennal qui lui sert de guide afin de réaliser ses objectifs de rendement et de responsabilité.

Selon son plan stratégique, la Commission mesure son rendement par rapport à quatre domaines clés :

1. Service à la clientèle
2. Efficacité commerciale
3. Qualité du lieu de travail
4. Responsabilité sociale

Retail Operations

The Prince Edward Island Liquor Control Commission's ambitious plan of revitalization of its stores according to its long-term business plan continued to pay big dividends at the cash register. Last year the commission recorded sales of $69,338,560 and turned over a record $27,850,653 to the Provincial Treasury.

Continuing with its plan of revitalizing stores where needed and providing better service right across the province, the commission opened renovated stores in Charlottetown (Queen Street Liquor Store) and the Tignish Liquor Store during the fiscal year.

These newly renovated stores offer customers many of the services of the other stores: cold beer, a merchandise boutique, modern shelving and a shopping environment which allows for browsing and shopping the entire store.

The commission will continue to make investments in stores according to its five-year plan.

In partnership with our supplier Diageo Canada Inc., the commission provided a sales promotion in all our retail liquor stores for the Hurricane Juan Relief Management Fund. This was very successful with over $22,000 raised for this fund.

Tignish Liquor Store

Wine Festival

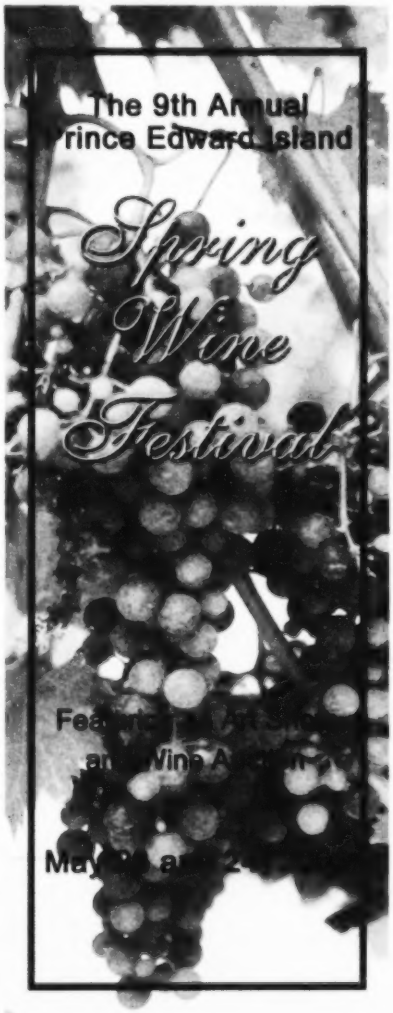
The commission's annual Wine Festival is one of the highlights of the summer season. Since its inception, the festival has been a real catalyst for the growing wine category.

The Wine Festival is gaining in popularity each year and it certainly provides our customers a wine education in a social setting.

The 9th annual was a great success with actual sales at the Wine Boutique exceeding $91,000.

The Silent Auction, in conjunction with the Wine Festival, enabled the commission to present a cheque in the amount of $4,792 to the Island Hospice Association, the main benefactor of our auction.

Many of the Island licensees attend the festival looking for wines to add to their wine lists. A discount at the festival encourages both residents and licensees to try new products.



Wine makers from as far away as Australia and France come to this festival to showcase the new vintages in their portfolios.

It is important to realize the commission is in favour of maintaining the status quo as it relates to the size and attendance of the festival.

The commission does not want the festival to grow any larger as the current size allows the customers and winery people to discuss the merits of the various wines.

The commission wants to operate a quality festival – one in which both its customers and winery people can be proud.

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The commission wants to operate a quality festival – one in which both its customers and winery people can be proud.

New Initiatives

The commission will continue to offer better customer service by providing additional services to some locations as well as more product knowledge courses to store staff.

The commission will enter into a partnership with other Canadian liquor jurisdictions in producing a national campaign on drinking and motorized vehicles.

As part of our social responsibility program, the commission will host the Canadian Association of Liquor Jurisdictions Social Responsibility Meeting in September 2004.

The commission will be introducing a category management system during the 2004-2005 fiscal year. This will provide stock-keeping unit rationalization. Our goal is to delete the slow-moving units and replace with more productive products.

The commission is planning to review each of its locations to determine any major/minor maintenance and repair problems. These problems will be prioritized and monies allocated to complete the necessary repairs.

The commission leases all computer equipment for head office and retail outlets. The term for leases is three years with an optional low-value buyout in the last year. The commission is exercising the buyout option to obtain maximum value by using the fourth year for selecting/testing new equipment and providing some additional cash flow. The fiscal year just ending is the fourth year in our equipment cycle for head office administrative equipment and retail back office controllers. The new leases were competitively selected with successful vendors being Xwave Solutions Inc. (Aliant Communications) and MicroAge Charlottetown. Head office equipment is being supplied by Xwave. MicroAge is supplying IBM equipment to retail to complement existing IBM POS product. All new equipment is being installed over the period – June to September 2004.

During the current fiscal year, the commission's central data processing equipment leases expire. The commission will buyout leases for maximum value. However, the timing of lease expiry and technological changes requires immediate releasing of newer technological equipment, software and associated licensing. The technological change is driven by the computer manufacturer who is no longer supporting the hardware platform upon which our Oracle financial system operates. As the central data processing equipment is critical to operational requirements, this immediate releasing means significant financial expenditure along with a major human resource demand.

Marketing and Merchandising

The commission has continued on its course of creating a store environment that encourages customers, both local and tourists, to come in, look around, and to make shopping the whole store a pleasant experience. Modern shelving, a bright "up-beat" atmosphere, knowledgeable and friendly staff, wide aisles, an excellent assortment of products, cold beer and a boutique featuring popular branded merchandise are now standard features at almost every PEILCC store.

The goal of revitalizing stores where needed and of providing better service right across the Island was accomplished by renovating and re-opening both the Queen Street Liquor Store in Charlottetown and the Tignish Liquor Store during this fiscal year.

The beautiful "new" Queen Street and Tignish Liquor stores, which feature all of the above, are undoubtedly some of the most customer-friendly stores on the Island. In addition to the wider assortment of products, these newly renovated stores utilized inventory controls and a shelf management program which takes much of the guess work out of the ordering process.

Product knowledge is always a high priority with any business dealing with the public; and toward that goal, the PEILCC offers a Product Knowledge Course, the completion of Level I being a condition of employment with the completion of Levels II and III being encouraged but optional. Tours to Maritime regional breweries and wineries have also broadened the knowledge base of all store staff.

The commission embarked on a province wide Hurricane Juan promotion throughout its store system which not only brought attention to many of its core brands but created a great deal of interest at store level. Major displays were created in each store with a Hurricane Juan theme and the store with the greatest percentage of sales increase with the core brands was declared the winner. The winning store for this promotion was the Summerside Waterfront Store.

Besides the Hurricane Juan major promotion, monthly theme displays, i.e., Mothers' Day, St. Patrick's Day, Fathers' Day, Valentine's Day, etc., and a wide assortment of monthly in-store draws created plenty of excitement at the store level. In-store tasting sessions have been held at every store and these tasting sessions help to bring attention to the many new products and their uses.

To better serve its customers, the PEILCC has also provided a Web site for the general public (***www.peilcc.ca***) and an online ordering program for its licensees at (***www.peiliquor.pe.ca***). The licensees' Web site also provides users with monthly on-sale specials, added value programs, in-store draws, and information on upcoming events like the Wine Festival – all in the interest of sound customer service.

Human Resources

The staff complement of the Liquor Control Commission consists of 135 classified full- and part-time positions as well as 75 casual full- and part-time staff who assist with the additional requirements throughout the peak seasons. During the fiscal year, there were 39 full- and part-time positions filled as a result of the Casual Conversion Program. This program presented an opportunity whereby many long-term casuals became eligible to apply for, and to be offered, permanent positions within the Civil Service throughout 2003-2004.

A number of staff changes have occurred this past year – retirements, resignations and leaves of absence for the purpose of pursuing other opportunities. These changes always create openings for new individuals or for existing employees. Each new person brings his/her own perspective and fresh ideas to their new position, something which the Liquor Control Commission always welcomes.

Each year, the seasonal employees eagerly await the offer of recall employment provided to them. As a result of having worked a number of seasons with the LCC, many are now quite comfortable assisting their customers with purchases and offering advice on products when required. The Product Knowledge Course which is available to the employees has been a great benefit in this area.

Training in areas pertinent to a retail/warehouse environment is considered crucial and staff are kept updated in this regard. During 2003-2004, the following training/information sessions were made available to the staff:

- Welcome to the Service (orientation for newly classified employees)
- Management for Women
- Saying Yes – Saying No (developing effective communication)
- Basic Fall Protection (offered to warehouse employees)
- WHMIS (dealing with hazardous workplace materials)
- Accident Investigation and Workplace Inspections
- Information sessions for all Occupational Health and Safety representatives

A Training and Development Fund established by the Provincial Government provides funding for employees who are interested in learning opportunities which will increase their skill and knowledge in areas which may be beneficial to their workplace.

This includes many types of experiences, for example, those related to public service or to management. A number of LCC employees have taken advantage of these opportunities.

The Casual Day Program continues and is always well supported by staff throughout the commission. A variety of organizations have benefited from the program this past year, such as:

- IWK Foundation
- Canadian Cancer Society (Daffodil Campaign)
- Canadian Diabetes Association
- Cure Foundation (Breast Cancer Research)
- Parkinson's Society
- Prince County Hospital Foundation
- Terry Fox Foundation
- United Way Campaign

Tignish Liquor Store

Tignish Liquor Store

Financial

For the fiscal year ended March 31, 2004, gross sales were $69,338,560. This is an increase of $3,335,998 over the previous year.

Net profit for the year, plus health and sales taxes, totalled $27,850,653. This is an increase over the 2002-2003 contribution to the province by $1,502,346 and represents our best year ever in terms of monetary transfers to the Provincial Treasury.

The commission's business is international in scope with approximately $27.6 million spent on the purchase of beveraged alcohol. Gross margins have increased as a result of more spirits and wines being purchased.

Sales increased in the retail channel across the province over the previous year. We are continually growing our business; however, licensee sales have decreased by 2.7 per cent over the previous year.

Operational expenses increased by $811,473 or 8.1 per cent. The bulk of this figure can be attributed to new services which have increased our operational expenses:

i) credit card sales to licensees;

ii) store upgrades across the province which have increased depreciation and long-term debt; and

iii) computerization of licensee online ordering allowing licensees to order product online from the commission.

In closing, the commission is proud of its achievements and of its record transfer to the Provincial Government.

Tignish Liquor Store

Regulatory Activities

The Licensing and Security Department, during the 2003-2004 fiscal year, performed 5,237 inspections at licensed premises. During these inspections, inspectors checked the IDs of 2,875 people suspected of being underage. They also dealt with control, overserving, overcrowding and other areas of concerns.

During this fiscal year, the inspection staff took on additional duties enforcing the Smoke Free Places Act as it applies to licensed premises approving 25 designated smoking rooms and ensuring compliance.

The Licensing and Security Department will continue to work closely with other departments to ensure compliance with the respective acts and regulations.

Liquor store staff, as their part in ensuring proper and responsible service, have served approximately 2,441,717 customers and licensees. They have checked or questioned 43,882 customers suspected of being underage or intoxicated and turned away 2,256 underaged persons and 491 intoxicated individuals. Store personnel consider this an important part of their duties and will continue their efforts in these areas.

The Licensing and Security Department continues to support store staff with training and have provided Quick Reference Guides in the area of armed robbery and shoplifting. Also, the commission's Operating Policy and Procedures Manual was updated.

Licence Suspensions

During the 2003-2004 fiscal year, there were five licences suspended for violations of the *Liquor Control Act* and *Liquor Control Act* Regulations:

- Eight Ball Sports Bar Dining Room and Lounge: five days (failure to provide food as required)
- Coffee Cup Dining Room and Lounge: seven days (failure to provide food as required)
- Casey's Lounge: nine days (failure to control premises and over serving)
- Razzy's Road House: two days (minors on premises)
- Lobster Shanty Lounge: four days (minors on premises and serving minors)

Regulatory Changes

During the 2003-2004 fiscal year, regulatory changes were made as follows:

Section 85.1 added:

- allowing wet/dry events at post-secondary institutions.

Sections 4(c) and 9.1 amended:

- allowing for the commission to approve sites for Special Permits other than community owned sites, and
- to impose terms on Special Permits.

Section 50.4(1)(c) amended:

- allowing tourist homes to have more than a 10-room maximum.

Social Responsibility

During the 2003-2004 fiscal year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support.

The commission partnered with a number of outside agencies in shared activities including:

- As a active member of the CALJ (Canadian Association of Liquor Jurisdictions) Social Responsibility Committee, the commission has participated in the on-going development of information packages on responsible use and service on a national basis.
- Supported provincial SADD activities where possible and assisted in sending PEI SADD students to the national CYAID Conference on impaired driving and youth.
- Advertised in the local media Safe Prom Tips for Parents and Students during school and university graduation times.
- Presented the IWK with a cheque for $4,000 raised through weekly staff Dress Down Days.
- In conjunction with the ATHI (Atlantic Tourism and Hospitality Institute), the commission continues to provide the mandatory server program, It's Our Business, which is an awareness program for staff of licensed premises.
- Distributed information on Fetal Alcohol Syndrome throughout our stores.
- Donated $4,792 to the Island Hospice Association, the proceeds of the Wine Festival Silent Auction.

During any given month, PEILCC stores have donation canisters at cash registers in order to raise funds for special causes or people in need in the community. Fundraising through cash cans and other campaigns in our stores contributes significantly to the community we serve.

Some of the charities supported by the PEILCC are:

- Parkinson's
- IWK
- SADD
- Canadian Cancer Society
- Canadian Diabetes
- MADD
- Unicef
- PEI Humane Society

The commission is committed to social responsibility and will continue to expand this area in the coming years.

Acknowledgements

The achievements outlined in this document can only be accomplished with the loyalty and dedication of our employees. The valued support and guidance of the Board of Commissioners is equally important and gratefully acknowledged.

The commission acknowledges the valuable assistance of the RCMP, municipal police departments, fire marshal and other enforcement agencies throughout the province; as well as other provincial and federal government departments and the Union of Public Sector Employees Management.

Tignish Liquor Store

Sales by Retail Stores 2003/2004

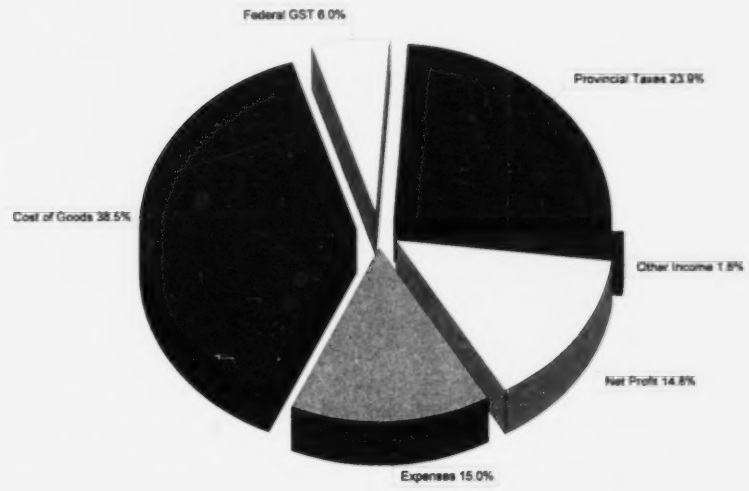
Retail Store	Year Ended March 31, 2004	Year Ended March 31, 2003	Increase (Decrease)
Alberton	$ 1,854,478	$ 1,359,194	$ 495,284
Borden/Carleton	1,418,121	1,361,808	56,313
Cardigan	1,874,028	1,721,983	152,045
Charlottetown Mall	6,570,608	6,044,313	526,295
Charlottetown - Queen Street	2,203,937	3,526,784	(1,322,847)
Cornwall	3,440,230	3,111,810	328,420
Kensington	2,858,604	2,741,536	117,068
Licensee Distribution Centre	5,326,507	6,210,595	(884,088)
Montague	3,793,908	3,727,978	65,930
North Rustico	2,855,310	2,858,843	(3,533)
O'leary	1,457,289	1,434,377	22,912
Oak Tree Place	12,264,260	10,855,887	1,408,373
Sherbrooke	6,192,222	4,816,482	1,375,740
Souris	2,313,493	2,194,243	119,250
Summerside Waterfront	5,017,828	4,451,989	565,839
Stratford	5,548,098	5,103,256	444,842
Tignish	1,400,351	1,727,371	(327,020)
Tyne Valley	929,192	913,596	15,596
Wellington	1,166,982	1,098,610	68,372
Wood Islands	575,677	404,424	171,253
Warehouse	277,437	337,483	(60,046)
Total	**$ 69,338,560**	**$ 66,002,562**	**$ 3,335,998**

Summary of Profit and Expense Ratios
Five-year Comparison

(in 000s)

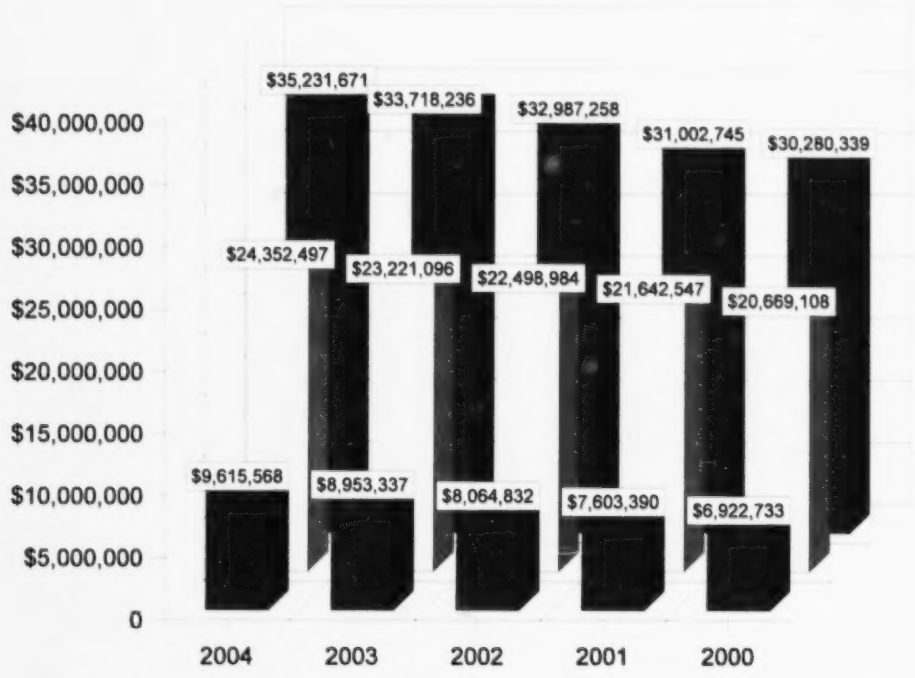
	2004	2003	2002	2001	2000
Sales	69,339	66,003	63,716	60,395	57,910
Gross Profit	20,158	18,887	18,482	17,437	16,849
Net Profit	10,643	10,071	10,178	10,035	10,383
General and Administrative Expenses	10,809	9,998	9,201	8,492	7,542
Gross Profit as Percentage of Sales	29.1%	28.6%	29.0%	28.9%	29.1%
Net Profit as Percentage of Sales	15.3%	15.3%	16.0%	16.6%	17.9%
General and Administrative Expenses as Percentage of Sales	15.6%	15.1%	14.4%	14.1%	13.0%

Income Allocation
Year Ended March 31, 2004



	Sales		$69,338,560
	Provincial Taxes	17,207,446	
	Federal GST	4,285,882	
	Cost of Goods	27,686,895	
	Expenses	10,809,237	
	Other Income	1,294,107	
	Net Profit		**$10,643,207**

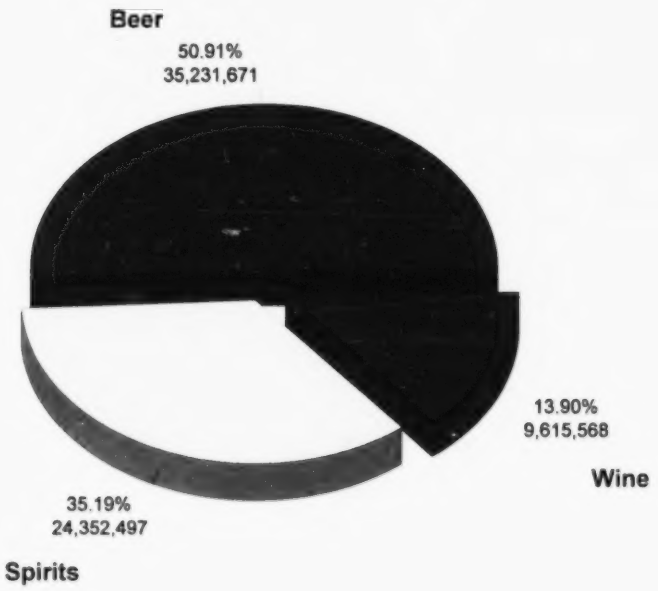
Sales Comparison 2004-2000



	Five-Year Trend	2004	2003	2002	2001	2000
	Beer	35,231,671	$33,718,236	$32,987,258	$31,002,745	$30,280,339
	Spirit	24,352,497	$23,221,096	$22,498,984	$21,642,547	$20,669,108
	Wine	9,615,568	$8,953,337	$8,064,832	$7,603,390	$6,922,733

Merchandising sales figures for 2004 were $138,824 compared to merchandising sales figures for 2003 which were $109,893. These figures are not included in the above chart or table.

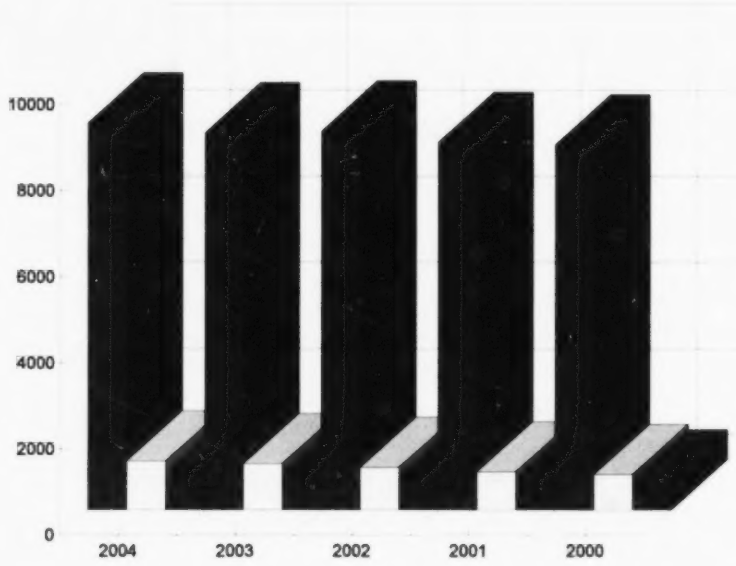
Sales – Year Ended March 31, 2004



Sales in Dollars		
	Beer	35,231,671
	Spirits	24,352,497
	Wine	9,615,568
	Total	**$69,199,736**

Sales figures for 2004 also include $138,824 for merchandising which is not included in the above chart or table.

Volume Sales
Five Years Ended March 31, 2004



	Five-Year Trend	2004	2003	2002	2001	2000
	Beer	8,977	8,748	8,794	8,537	8,479
	Spirit	1,131	1,073	987	883	823
	Wine	850	820	772	741	692

Figures are in kilolitres

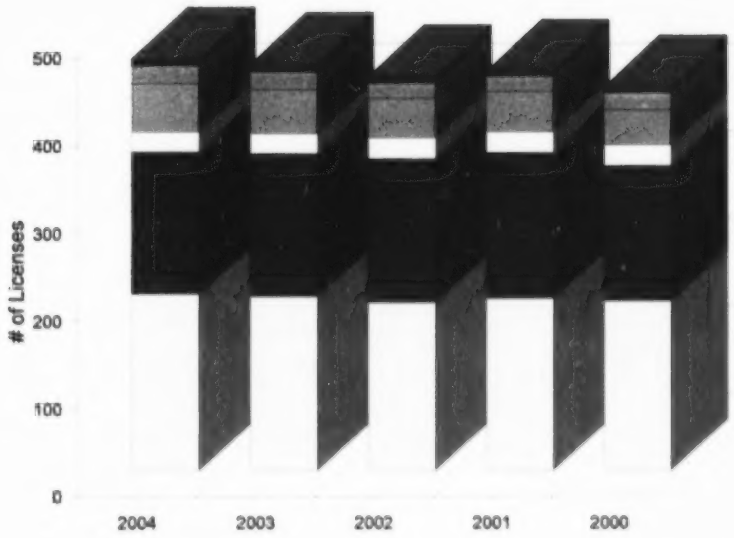
Licences in Effect
March 31, 2003 and March 31, 2004

Licence Type	2004	2003
Dining Room	202	199
Lounge	93	95
Club	69	68
Military Canteen	23	23
Special Premise	55	50
Caterer	20	20
Agency Store	1	1
Winery	1	1
Brew-Pub	0	0
Micro-Brewery	1	1
Tourist Home	5	6
Total Licences in Effect	**470**	**464**

During the 2003-2004 fiscal year,
the Licensing and Security Department issued 55 new licences
and 49 licences were either not renewed or were voluntarily surrendered.

Licensees in each of the three counties	
Queens	263
Prince	121
Kings	86
Total	**470**

Licences in Effect
Five-year Comparison



	2004	2003	2002	2001	2000
Dining Room	202	199	192	197	194
Lounge	93	95	92	92	81
Club	69	68	72	74	73
Military Canteen	23	23	24	24	24
Special Premise	55	50	45	46	40
Caterer	20	20	17	17	19
Agency Store	1	1	1	1	1
Winery	1	1	1	1	1
Brew-Pub	0	0	0	0	1
Micro-Brewery	1	1	1	1	0
Tourist Home	5	6	5	3	4
Totals	**470**	**464**	**450**	**456**	**438**

Licences Issued 2003/2004

Caterers

The Heritage Pub Dining Room
Manhattan's Restaurant
Bonnie Brae Restaurant
Loyalist Country Inn
Off Broadway Café
The Inn At Spry Point

Dining Rooms

Paddy O'Malley's
Churchill Arms Dining Room
Manhattan's Restaurant
Bonnie Brae Restaurant
Eva's Restaurant
Loyalist Country Inn
Café Bistro Le Zoo Inc.
Capt. Stewart's Family Restaurant
Abby III Restaurant
St. James Gate
Greco Dining Room
The Pier Restaurant
Cauzy's Sports Bar and Grill
Angels Restaurant
Beaumaris
Don's Place Family Restaurant
Sunrise Restaurant
Silver Streams Restaurant
Atlantic Isle Gourmet Pasta Inc.
Sheltered Harbour Café
Christina's Country Cupboard
Jonsey's Restaurant
Gateway Lobster Shop
Ritchie's Fish Café
Pizza Roma & Falafel Hut

Special Premises

PEI Rocket
Atlantic Isle Gourmet Pasta Inc.
West Point Harbourside Centre
The Club Golf & Games Lounge
MacLauchlan Arenas and Pool
Andersons Creek
Kings Playhouse Act II
The Links at Crowbush Cove

Lounges

Churchill Arms Lounge
Manhattan's Lounge
The Highlander Lounge
Paddy O'Malley's
Eva's Lounge
Loyalist Country Inn
Café Bistro Le Zoo Inc.
Angels Lounge
Abby III Oyster Lounge
St. James Gate
Casey's Lounge
The Pier Lounge
Kudo's Lounge
Cauzy's Sports Bar and Grill

Clubs

Christopher Club Inc.
Winsloe Lions Club

Total Licences Issued = 55

Licences Not Renewed/Surrendered 2003/2004

Caterers

Waterworks Tap House & Grill 2002
Chez Yvonne Restaurant
Bonnie Brae Dining Room
Loyalist Country Inn
Barry's Pub and Eatery
Carr's Oyster Bar

Dining Rooms

Eight Ball Sports Bar Dining Room
Hubie's Restaurant
Cauzy's Sports Bar and Grill
Chubby's Restaurant
Greco Pizza
Islander Motor Lodge
Belfast Grocery & Hardware
Loyalist Country Inn
Bonnie Brae Dining Room
Big Momma's Pub
Village Restaurant & Pub
Alcatraz Restaurant
Waterworks Tap House & Grill 2002
Boo's Restaurant
Fairway's Take-Out and Lounge
Island Sky's Café
Strathgartney Country Inn
Anne of Red Doors Coffee House
Silver Streams Restaurant
Captain Stewart Seafood & Steak
PEI Lobster Shop
Pepper Mill Restaurant

Lounges

Hubie's Pub
Eight Ball Sports Bar Lounge
Cauzy's Sports Bar and Grill
Chubby's Roadhouse
Casey's Lounge
Belfast Grocery & Hardware
Loyalist Country Inn
Pinocchio Lounge
Gallaghers Lounge
Inn At The Pier Lounge
Big Momma's Lounge
Village Restaurant & Pub
Alcatraz Lounge
Waterworks Tap House & Grill 2002
Boo's Lounge
Fairway's Take-Out and Lounge

Special Premises

Keiths On Tap Room
Crowbush Club House

Club

Rosebank Country Club

Tourist Home

Bradley Inn

Licences Not Renewed/Surrendered = 49

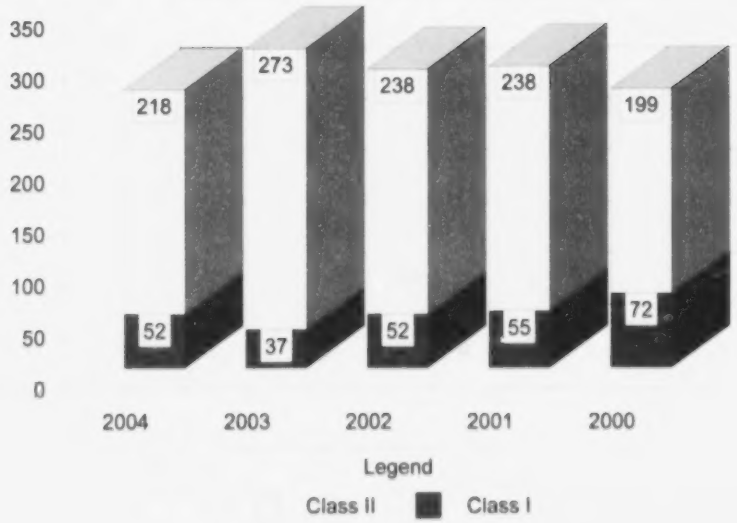
Permits Issued 2003/2004

Permit	2004	2003
Class I (non-sale)	52	37
Class II (resale)	218	273
Total	270	310

Special Authorizations

During the 2003-2004 fiscal year, the licensing department authorized 62 requests for Special Functions in licensed premises under sections 75 and 95 of the *Liquor Control Act* Regulations. These approvals were given to cover community events.

Permits Issued
Five-year Comparison



		2004	2003	2002	2001	2000
	Class 1	52	37	52	55	72
	Class II	218	273	238	238	199

A Class I permit entitles host to give beverages to guests.
A Class II permit entitles host to sell beverages to guests.

Prince Edward Island Liquor Control Commission Retail Liquor Outlets

Location	Manager
Alberton	Stephen Callaghan
Borden-Carleton	Donald Howatt
Cardigan	Richard Llewellyn
Charlottetown Mall	Stan Bryanton
Cornwall	William MacMillan
Kensington	Terry Lynn MacKenzie
Montague	Richard Llewellyn
Morell Agency	Donna Webster
North Rustico	Terry Lynn MacKenzie
Oak Tree	John Abbott

Location	Manager
O'Leary	Stephen Callaghan
Queen Street	Urban MacDonald
Sherbrooke	Ronald Yeo
Souris	Paul Deveau
Summerside Waterfront	Barb Simpson
Stratford	Alan Crane
Tignish	Sandra Hawley (acting)
Tyne Valley	Clarence Richard
Wellington	Clarence Richard
Wood Islands	Richard Llewellyn

Prince Edward Island Liquor Control Commission Retail Liquor Outlets

Location	Manager
Alberton	Stephen Callaghan
Borden-Carleton	Donald Howatt
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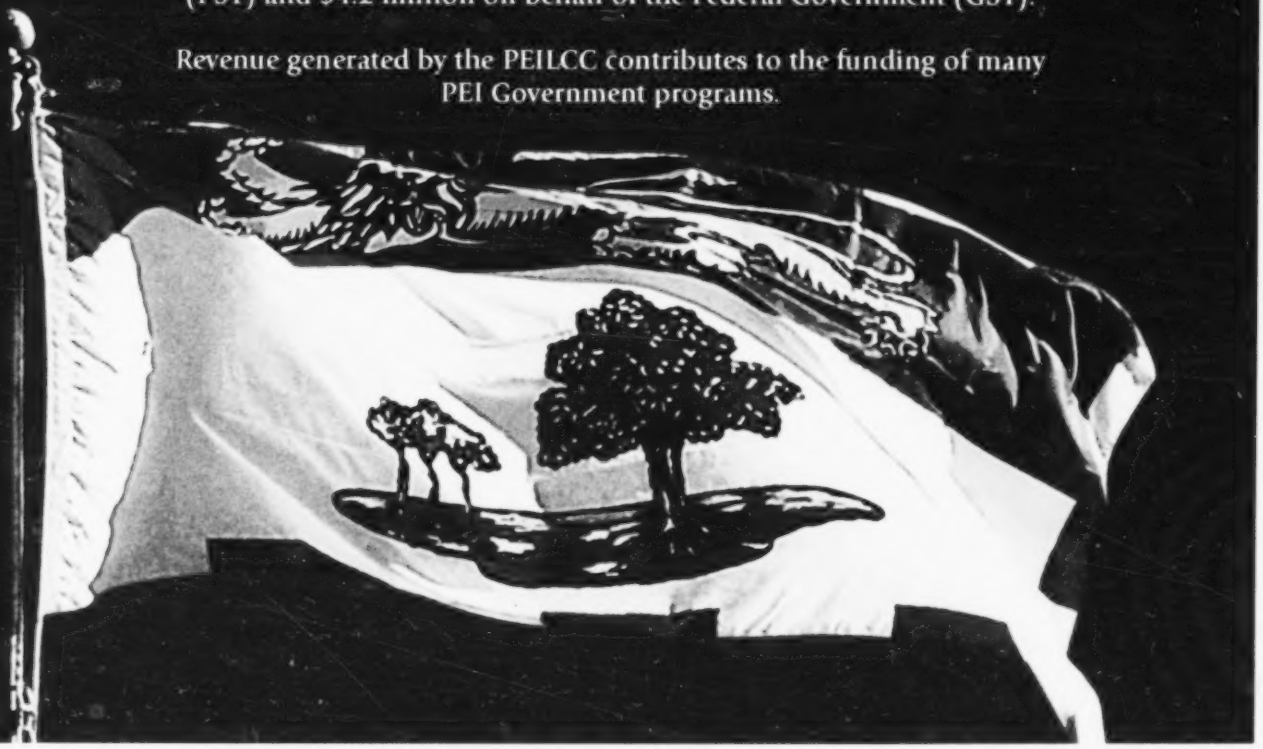
Stratford	Alan Crane
Tignish	Sandra Hawley (acting)
Tyne Valley	Clarence Richard
Wellington	Clarence Richard
Wood Islands	Richard Llewellyn

Efficient Monetary Management

1.02% Warehouse & Distribution
3.86% Administration
12.27% Store Operations
36.86% Profit
45.99% Cost of Stock

In 2003-2004 fiscal year, over and above the $22.6 million profit ($10.6 million in net profit and $12 million in Provincial Health Tax), the PEILCC collected $5.2 million on behalf of the Provincial Government (PST) and $4.2 million on behalf of the Federal Government (GST).

Revenue generated by the PEILCC contributes to the funding of many PEI Government programs.



Appendix

Auditor's Report and Audited Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2004

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2004 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
May 21, 2004

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2004

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash	$ 854,889	$ 837,376
Accounts receivable	203,456	204,854
Inventories - Note 1(b)	2,659,695	2,742,153
Prepaid expenses	79,025	125,424
	3,797,065	3,909,807
Capital assets - Notes 1(a) and 2	5,002,130	4,619,962
	$8,799,195	$8,529,769
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals - General	$ 941,564	$ 930,656
- Province of P.E.I.	77,158	66,840
Debentures payable - current portion - Note 4	772,411	632,466
Due to the Province with respect to net income - Note 1(c)	2,458,192	2,782,527
	4,249,325	4,412,489
LONG TERM LIABILITIES		
Debentures payable - Note 4	4,549,870	4,117,280
	$8,799,195	$8,529,769

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER: Gordon Coles

COMMISSIONER:

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2004

		2004		2003
SALES		$69,338,560		$66,002,562
Less: Provincial Health Tax	$12,004,386		$11,415,649	
Provincial Sales Tax	5,203,060		4,862,048	
Federal Goods & Services Tax	4,285,882	21,493,328	4,031,899	20,309,596
NET SALES		47,845,232		45,692,966
COST OF GOODS SOLD		27,686,895		26,805,537
GROSS PROFIT		20,158,337		18,887,429
EXPENSES				
Amortization	851,781		730,206	
Insurance and taxes	191,870		186,150	
Interest on long-term debt	337,860		345,532	
Leases - Note 3	894,739		880,504	
Other operating expenses	728,122		578,515	
Repairs and maintenance	494,982		410,848	
Salaries and benefits - Note 5	6,296,971		5,870,260	
Store and office expenses	314,611		322,200	
Travel	101,396		113,252	
Utilities	596,905	10,809,237	560,297	9,997,764
		9,349,100		8,889,665
OTHER INCOME		1,294,107		1,180,945
NET INCOME - Note 1(c)		$10,643,207		$10,070,610

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

Cash provided by (used for):	2004	2003
OPERATING ACTIVITIES		
Net income for the year	$10,643,207	$10,070,610
Amounts charged against income not requiring an outlay of cash:		
Amortization	851,781	730,206
Loss (Gain) on disposal of capital assets	(30,170)	-
	11,464,818	10,800,816
Changes in non-cash working capital:		
(Increase) Decrease in accounts receivable	1,398	(46,527)
(Increase) Decrease in inventories	82,458	246,998
(Increase) Decrease in prepaid expenses	46,399	(28,421)
Increase (Decrease) in accounts payable	21,226	(630,488)
Net cash provided by operating activities	11,616,299	10,342,378
FINANCING ACTIVITIES		
Cash payments to Provincial Treasury	(10,967,542)	(11,329,570)
Loans from Province	1,205,000	245,000
Debenture repayment	(632,465)	(571,746)
Net cash used for financing activities	(10,395,007)	(11,656,316)
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,233,949)	(748,561)
Proceeds on disposition of capital assets	30,170	-
	(1,203,779)	(748,561)
Increase (Decrease) in cash	17,513	(2,062,499)
Cash at beginning of year	837,376	2,899,875
Cash at end of year	$ 854,889	$ 837,376

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

1. Summary of significant accounting policies

(a) Capital Assets
Capital assets are stated at cost less accumulated amortization. Amortization of buildings, furniture and equipment and leasehold improvements are calculated on a straight-line basis at the rates indicated in Note 2.

(b) Inventories
Inventories are valued at the lower of first-in, first-out cost and net realizable value.

(c) Net Income
All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

2. Capital Assets

		2004			2003
	Amortization Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 85,537	$ -	$ 85,537	$ 85,537
Buildings	5%	4,188,512	2,740,622	1,447,890	887,814
Equipment	10 & 20%	1,225,646	1,086,554	139,092	193,371
Vehicles	30%	100,850	15,128	85,722	-
Leasehold Improvements	10%	3,952,905	1,756,933	2,195,972	2,251,126
Financial Information System	20%	1,884,970	837,053	1,047,917	1,202,114
		$11,438,420	$6,436,290	$5,002,130	$4,619,962

3. Leases

The Prince Edward Island Liquor Control Commission leases various pieces of computer hardware and software as well as 13 retail outlets which have maturity dates between fiscal 2005 and 2018. Future minimum lease payments are as follows:

Fiscal Years	Amount
2005	$ 786,878
2006	605,691
2007	468,740
2008	383,027
2009	375,527
2010-2018	1,986,367
	$4,606,230

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2004

4. Debentures Payable - Province of Prince Edward Island

	Balance March 31, 2004	Less Current Portion	Long Term Liability
Integrated Business Management System Repayable in equal annual installments of $185,075 including interest @ 9.40% per annum, maturing November 1, 2004.	$ 169,172	$169,172	$ -
Cornwall Repayable in equal annual installments of $35,184 including interest @ 6.75% per annum, maturing December 10, 2006.	92,758	28,923	63,835
Stratford Repayable in equal annual installments of $40,415 including interest @ 7.375% per annum, maturing February 10, 2007.	105,338	32,646	72,692
Borden-Carleton Repayable in equal annual installments of $37,442 including interest @ 5.74% per annum, maturing January 21, 2008.	130,515	29,950	100,565
Kensington Repayable in equal annual installments of $49,143 including interest @ 6.70% per annum, maturing November 8, 2009.	236,429	33,303	203,126
North Rustico Repayable in equal annual installments of $38,936 including interest @ 6.79% per annum, maturing March 24, 2010.	186,800	26,252	160,548
Charlottetown (Oak Tree) Repayable in equal annual installments of $197,398 including interest @ 6.79% per annum, maturing March 24, 2010.	947,036	133,094	813,942
Cardigan Repayable in equal annual installments of $55,381 including interest @ 6.40% per annum, maturing February 16, 2011.	304,815	35,874	268,941

4. Debentures Payable - Province of Prince Edward Island (continued)

	Balance March 31, 2004	Less Current Portion	Long Term Liability
Summerside (Waterfront) Repayable in equal annual installments of $88,042 including interest @ 6.77% per annum, maturing July 18, 2011.	530,445	52,131	478,314
Financial Information System Repayable in equal annual installments of $195,599 including interest @ 6.57% per annum, maturing March 28, 2012.	1,187,693	117,567	1,070,126
Wood Islands Repayable in equal annual installments of $33,052 including interest @ 5.85% per annum, maturing November 27, 2012.	226,280	19,814	206,466
Charlottetown (Queen Street) Repayable in equal annual installments of $60,016 including interest @ 5.61% per annum, maturing August 1, 2013.	450,000	34,771	415,229
Tignish Repayable in equal annual installments of $99,684 including interest @ 5.40% per annum, maturing January 9, 2014.	755,000	58,914	696,086
	$5,322,281	$772,411	$4,549,870

The total principal repayment for the next five years is as follows:

2005	$ 772,411
2006	642,210
2007	683,715
2008	652,321
2009	656,607
Total	$3,407,264

5. Pension and Other Employee Benefits

Employees of the Prince Edward Island Liquor Control Commission are members of the Prince Edward Island Civil Service Superannuation Plan. Other employee benefits and the employer's share of the plan benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.

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